THE MFA, EEC, DOMINANT SUPPLIERS AND ALL THAT: A Case For Negotiation

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MFA NEGOTIATIONS 1983

The MFA is the oldest of the organised restrictions on free trade in manufactures violating the normal GATT principles and discriminating against Third World (and via parallel arrangements Socialist) countries and in favour of industrial capitalist countries (especially within EEC but also in EEC - North American trade).

Background

The multi fibres arrangements (MFA) were - over a decade ago - created as a short term, disruption avoiding measure for certain cotton textiles and garments. They then allowed 6% physical growth per year and were expected to last less than five years. They were created as a GATT framework arrangement because outside GATT they would be a clear violation of GATT obligations.

The course of the MFA has been very different from anticipations:

a. coverage has grown to comprehend virtually all textiles and garments of all fibres;

b. allowed growth rates have been cut to near nil for the 1983-86 'agreement' and since the 1983 allowed base is below 1980-82 actuals in fact the true growth rate in several key categories for the dominant suppliers is negative;

c. there has been a burgeoning of provisions allowing importing states to block imports even within quotas (eg "anti-surge") and to prevent swings of products from a full to an underused allocation preventing full utilisation of quota;

d. the industrial economies have no intention of phasing out MFA in the forseeable future;

e. parallel arrangements are negotiated with Taiwan, China, CMEA members, Portugal, Spain and Yugoslavia;

f. MFA regulations now merely set ceilings - individual OECD states (or in the case of "Little Europe" the EEC) negotiate lower actual operating agreements with single ldc's on a bilateral (or "one against all" in the EEC-ldc case) basis.

1982

The 1982 MFA frame negotiations are set out in "The Multifibre Arrangement" by B. Baker. They were bitterly contested and barely agreed.

EEC has introduced a new card in its bilateral MFA wheeling and dealing. This is "outward processing" ie the contracted turning of grey into finished cloth or cloth into garments by a firm in an ldc for return to EEC.

In the EEC case this is on the basis of the EEC firm (which must be a textile producer not a pure trader - with a handful of "grandfather clause" exceptions) contracting to provide the cloth, specify the product and buy back the goods. It is not possible for the ldc firm to take the initiative. (There is a parallel USA system which is less rigidly tied to existing USA textile or garment firms and allows greater ldc initiatives.)

"Outward processing" cloth and garments (because of origin of basic cloth) do not count against MFA quotas. In the current round the EEC has sought a de facto linkage by offering "outward processing" quotas (or potential quotas as EEC based firms not the Commission or the ldc "quota holder" will decide whether they can, in fact, be used) as a substitute for MFA quota increases. This evolution is set out in B. Faruqi, "The EEC Outward Processing Regulation In Textiles And The Negotiating Options For Developing Countries."

Lome II and the Mahgreb arrangements (with Algeria, Tunisia, Morocco) initially appeared to give free or liberally defined access to textile and garment exports from these countries to EEC. Tunisia, Morocco and Ivory Coast built up substantial garment production on that basis usually through location in their countries of branches of or joint ventures with EEC based (usually French) firms. EEC has now involved "disruption" and "orderly marketing" let out clauses to halt growth of - and in some cases, eg Tunisian shirts, Ivoirienne jeans, to reduce absolutely - such exports. This is likely to be an issue on the ACP side in negotiations for Lome III, EEC-ACP trade is discussed in J. Moss and J. Ravenhill, "Trade Between the ACP And EEC during Lome I."

The Negotiating Context and Actors

The frame MFA is concluded. What remains is to negotiate bilateral EEC arrangements with individual ldc's - with or without "outward processing" coverage and with or without "side" agreements (eg in respect to Lome III).

Actors:

I. EEC - Commission
II. Federal Germany
III. Netherlands
IV. France
V. United Kingdom
1. Yugoslavia
2. India
3. Hong Kong
4. Sri Lanka
5. Philippines
6. Tunisia
7. Ivory Coast
8. ACP Secretariat

Any EEC state may approach any ldc state (or the ACP Secretariat) and vice versa. EEC states may act jointly throughout but must conclude actual bilateral agreements jointly as EEC. Ldc's may negotiate with EEC as a group throughout or seek support from particular EEC members first. They may coordinate tactics and seek to require that EEC negotiate with all (or a sub-set eg Tunisia, Ivory Coast, ACP Secretariat) together not one by one. Realistic preparation of positions requires attention to the three articles cited and/or to comparable studies.